

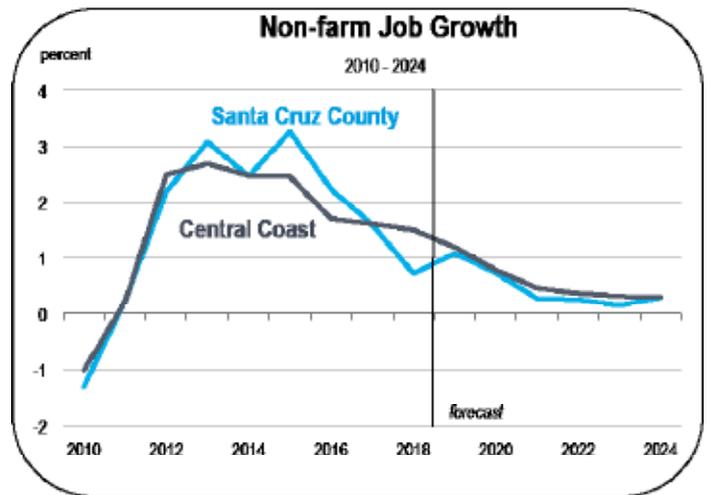
# Santa Cruz County Economic Forecast

## Forecast Summary

- 1,100 non-farm jobs will be created in Santa Cruz County during 2019. Over the following five years, an average of 400 new jobs are expected per year.
- Employment growth will be led by leisure services, education and healthcare, and government. These sectors will account for 82 percent of net job creation through 2024.
- The unemployment rate averaged 4.9 percent in 2018, and is expected to fall to 4.8 percent in 2019. The county has now reached a “full employment” scenario, and little further improvement in the unemployment rate is expected.
- The population declined in 2018. It will grow relatively slowly during the forecast period.
- Housing production has increased in recent years, but has not kept pace with population growth. Consequently, coastal county home prices have risen faster than resident incomes, sharply reducing housing affordability.

## Job Growth

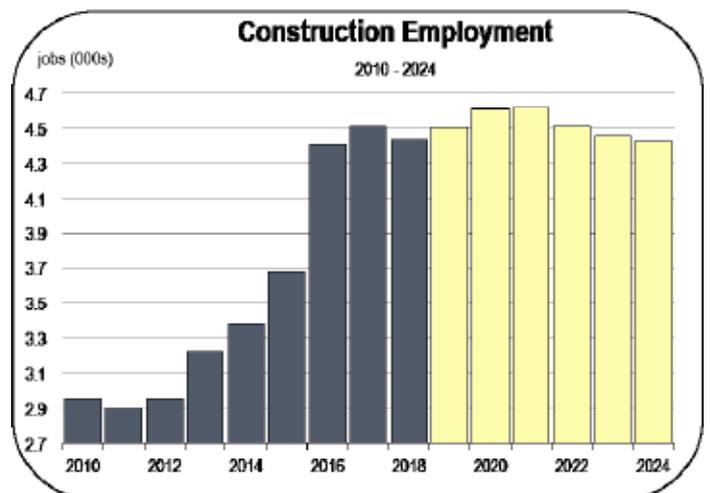
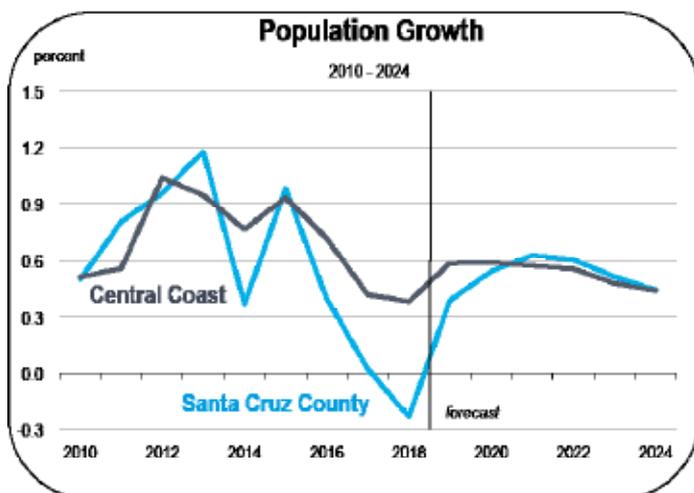
- The expected slowdown in job creation is underway. Santa Cruz County is vulnerable to a contraction in employment in 2020 or 2021 if the economy falls into recession.
- The leading industries in 2018 were manufacturing, leisure and hospitality, and government.
- The largest employment contraction was observed in retail trade.
- Between 2012 and 2018, non-farm employment grew by 2.2 percent per year.



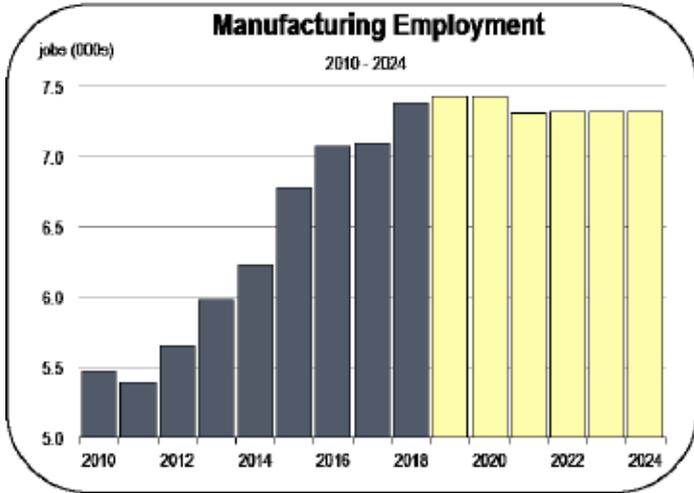
- Between 2018 and 2024, growth is forecast to average 0.5 percent per year.
- Approximately 1,100 non-farm jobs will be created during 2019.
- Through 2024, an average of 350 new non-farm wage and salary jobs are expected per year.

## Construction Employment

- Most Santa Cruz County construction workers are involved with residential projects. Slightly fewer homes were built in 2018 than the previous year, leading to minor downsizing at local firms.
- Only a modest number of jobs are expected to be created in the next few years. The building cycle has largely peaked in most parts of California, although more homes could break ground over the next few years in Santa Cruz County.



# Santa Cruz County Economic Forecast

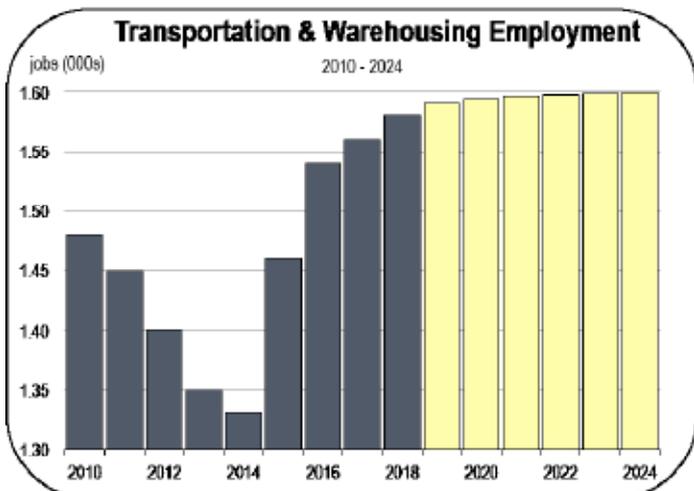


## Manufacturing Employment

- The Santa Cruz County manufacturing sector is mainly comprised of food packaging and processing in Watsonville, driven by the presence of Dole, Driscoll’s, and other agriculture operations.
- The county also has prominent supplement makers in Scotts Valley (Planetary Herbals and Source Naturals), and a large telephone company (Plantronics) northwest of Downtown Santa Cruz.
- The manufacturing industry has largely peaked for the current economic cycle, and a small number of manufacturing jobs could be lost over the next few years.

## Transportation and Warehousing Employment

- Transportation and warehousing had been creating jobs rapidly, largely due to the transition towards online shopping. Because more goods are being shipped directly to consumers rather than

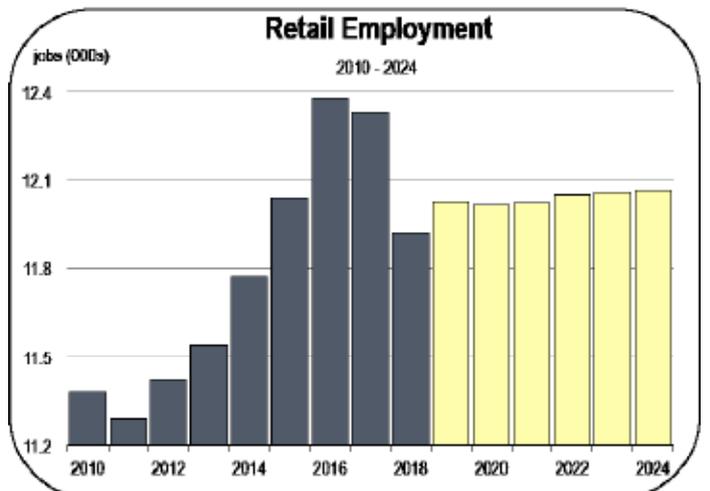


to physical store locations, demand has increased for delivery drivers at companies like UPS and FedEx.

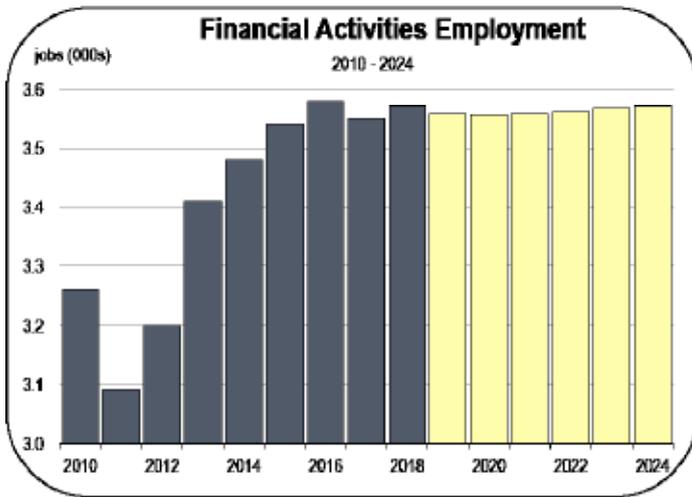
- Very few jobs were generated in 2017 and 2018, and almost no new jobs are expected in 2019 or 2020.
- This sector is vulnerable to job contraction if the economy lapses into recession.

## Retail Trade Employment

- Retail sales are plateauing, and retail establishments are shedding jobs.
- The industry is diverging into three distinct segments:
  - Brick-and-mortar stores facing heavy online competition
  - Brick-and-mortar stores not facing heavy online competition
  - Online retailers themselves
- Job losses have accelerated at stores that face online competition:
  - Clothing stores
  - Department stores (i.e. Macy’s)
  - Sporting goods stores
  - Furniture Stores
  - Consumer electronics stores
  - Book stores
  - Office supply stores
- In most parts of the state, stores not facing heavy online competition are still creating jobs. But in Santa Cruz County, this segment also downsized in 2018:
  - Grocery stores
  - Gas stations
  - Car dealers
  - Drug stores and healthcare stores



# Santa Cruz County Economic Forecast

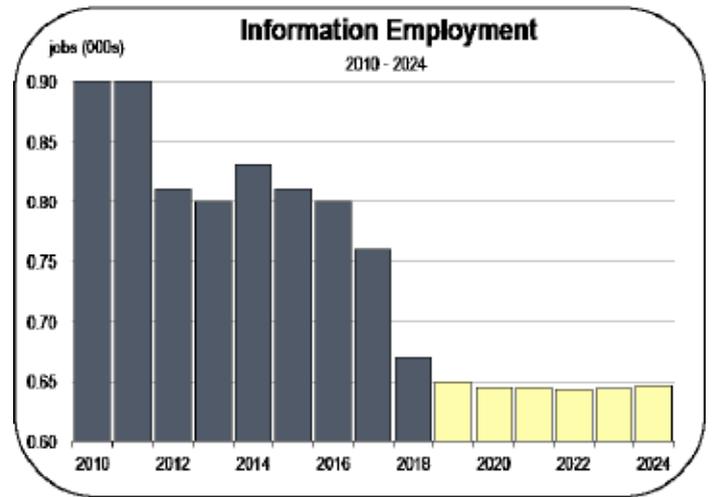
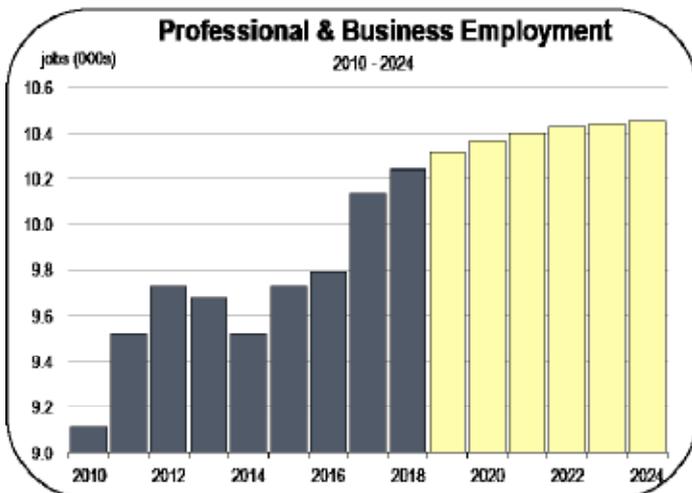


## Financial Activities Employment

- Employment within the broad financial sector has been relatively stable over the last 4 years.
- A strengthening real estate market has led to higher demand for real estate agents and property management professionals, but the banking industry is transitioning to online services, and fewer customers are visiting their local branches.
- Over the forecast period, employment growth will be minimal as the real estate sector plateaus, and as local banks expand their business lines without adding large numbers of employees.

## Professional and Business Services Employment

- This industry generated 100 new jobs in 2018.
- Most of these job gains were in high-skill sectors like scientific research, IT consulting, and accounting.
- Growth will be moderate over the forecast period.

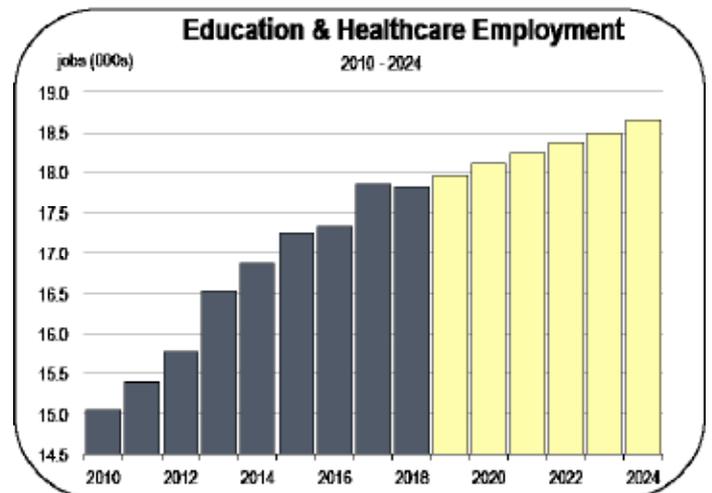


## Information Employment

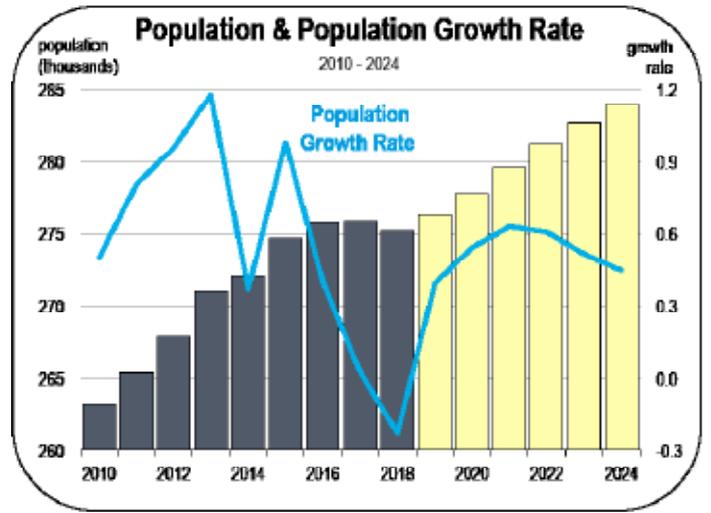
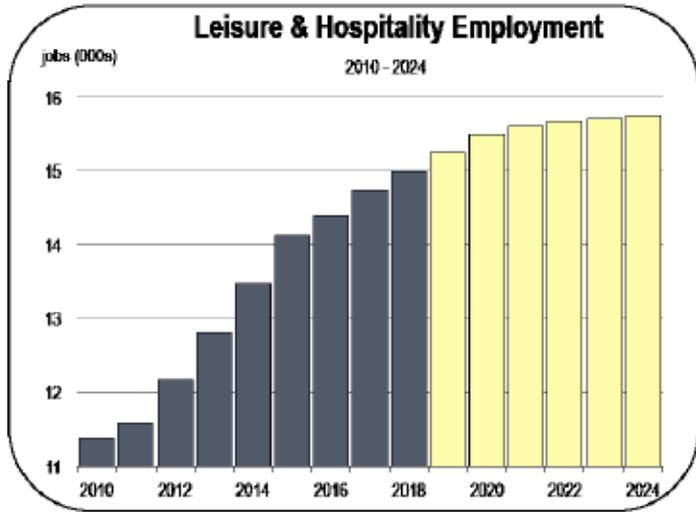
- The Information sector continues to contract, and no sustained growth will be observed over the forecast period.
- In Santa Cruz County, this industry is primarily comprised of newspaper companies, software firms, movie theaters, and telecommunications firms.
- Losses continue to mount at newspapers. Before the last recession, there were 10 newspaper companies, and each employed an average of 28 people. Now there are only 6 newspapers, with an average headcount of just 9 workers.
- Telecom companies are also declining, and even software publishers are now losing jobs in Santa Cruz County, with several companies moving to other markets.

## Private Education and Healthcare Employment

- The healthcare sector gained approximately 100 jobs in 2018. All of this growth was observed at doctors' offices and at centers that



# Santa Cruz County Economic Forecast



serve the elderly and people with disabilities. No jobs were gained at hospitals, outpatient care centers, or home health companies.

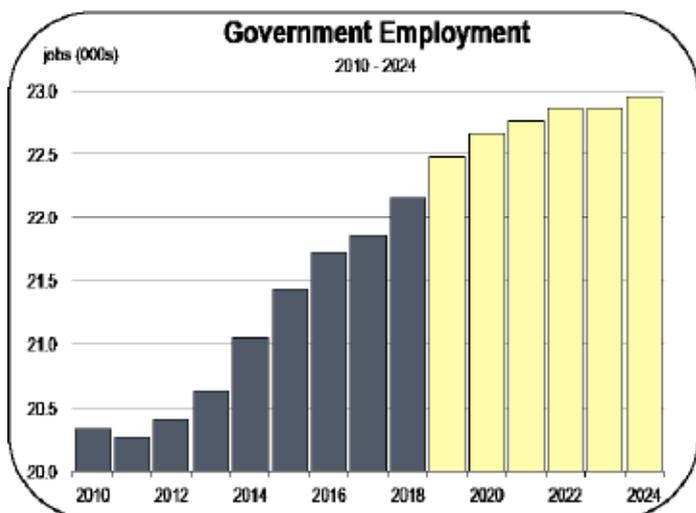
- Jobs were lost at private schools (public schools are included in the government industry).

## Leisure and Hospitality Employment

- Increased consumer demand has led to higher spending at restaurants, generating 100 new restaurant jobs last year.
- Job growth also occurred at hotels and fitness centers.
- 500 new jobs will be created by 2020, due largely to expansion in the restaurant sector.

## Government Employment

- In 2018, government agencies generated 300 new jobs. 50 of these were at UC Santa Cruz and the local community colleges.

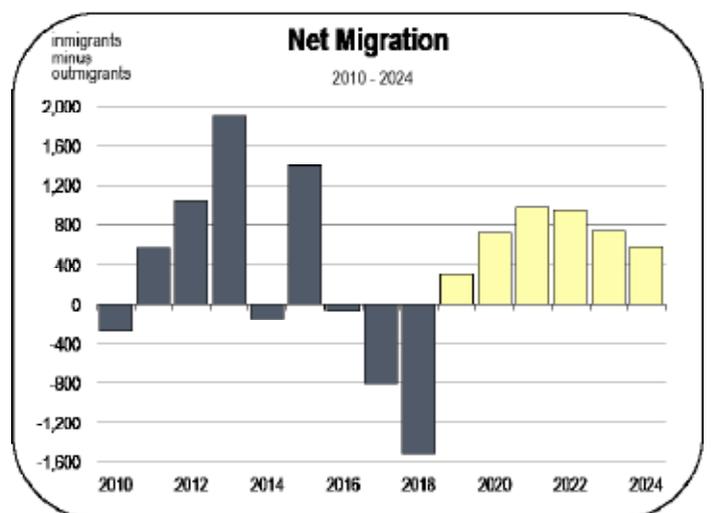


- 200 jobs were created at local public schools, and another 50 were generated at municipal agencies.

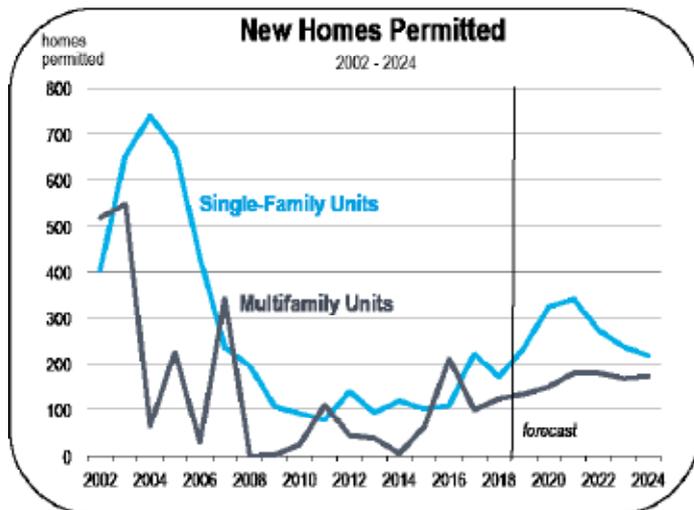
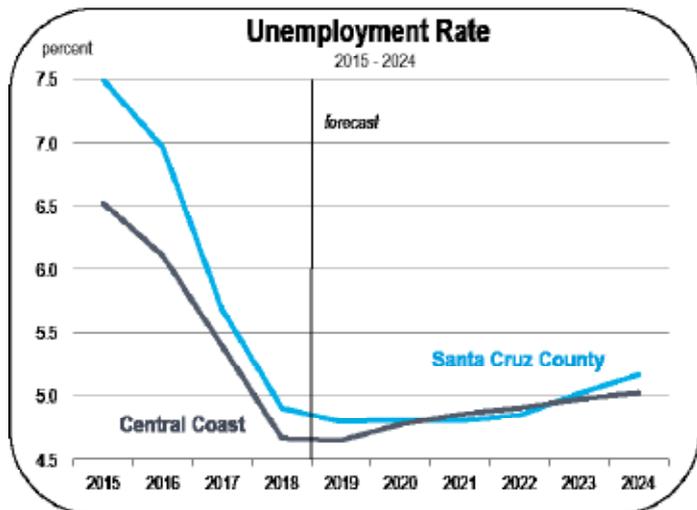
- Future job gains will depend on local population growth and government budgetary conditions.

## Population Growth

- The Santa Cruz County population declined by more than 600 residents last year.
- 1,500 net migrants left the county, as people moved to places with more affordable homes.
- An average of 710 net migrants will enter the county each year from 2019 to 2024, attracted by lifestyle and the increase in new housing production.
- The population will expand by 0.5 percent per year, and the county will approach 285,000 residents by 2024.



# Santa Cruz County Economic Forecast



## Unemployment and Inflation Rates

- The unemployment rate in Santa Cruz County averaged 4.9 percent in 2018, which was higher than the composite rate for the Central Coast. Unemployment will fall to 4.8 percent in 2019.
- The county has reached its “full employment” level, meaning that virtually everyone who wants a job has or can find a job. Under these conditions, little additional improvement in the unemployment rate is expected.
- Inflation accelerated in 2018 in California as energy prices increased and housing costs rose rapidly. Inflation will remain elevated in 2019 and 2020, and will likely be above 3 percent.

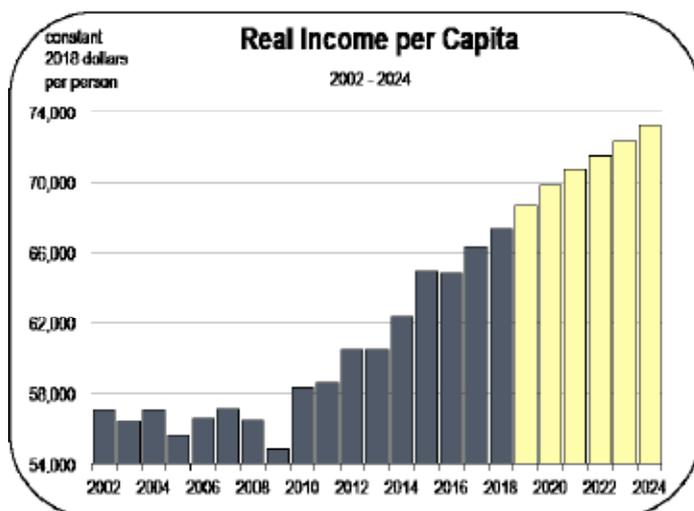
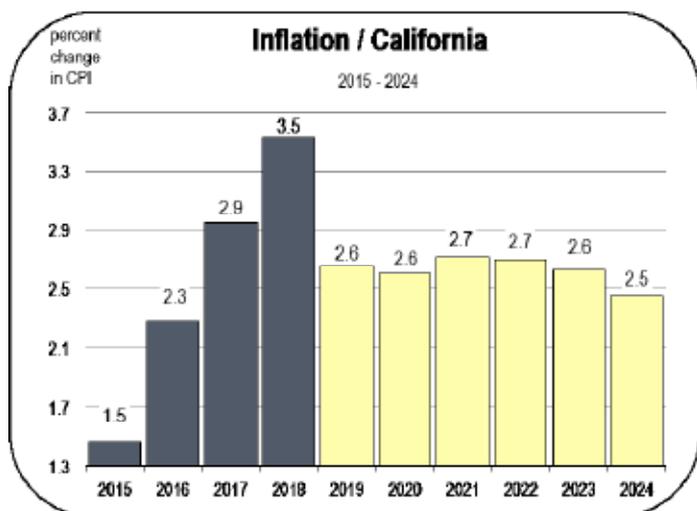
- Housing production is forecast to average 440 homes per year from 2019 to 2024. Most new units will be single-family homes.
- This is an improvement, but still insufficient to accommodate expected population growth.
- Housing affordability has become a principal social issue due to the growth in the demand for housing exceeding the growth in supply. The typical mortgage now accounts for more than half of pre-tax income for most households.

## New Housing Production

- From 2013 to 2018, an average of 225 homes were permitted per year.

## Income per Capita

- Income per capita in 2018 was \$67,300, which is significantly above the Central Coast average of \$60,500.
- Over the last six years, real incomes have risen at an average rate of 1.8 percent per year, which is similar to the Central Coast average of 1.9 percent per year.



# Santa Cruz County Economic Forecast

- Over the next six years, real incomes are expected to rise by approximately 1.4 percent per year in Santa Cruz County, and by 1.5 percent per year across all Central Coast counties.

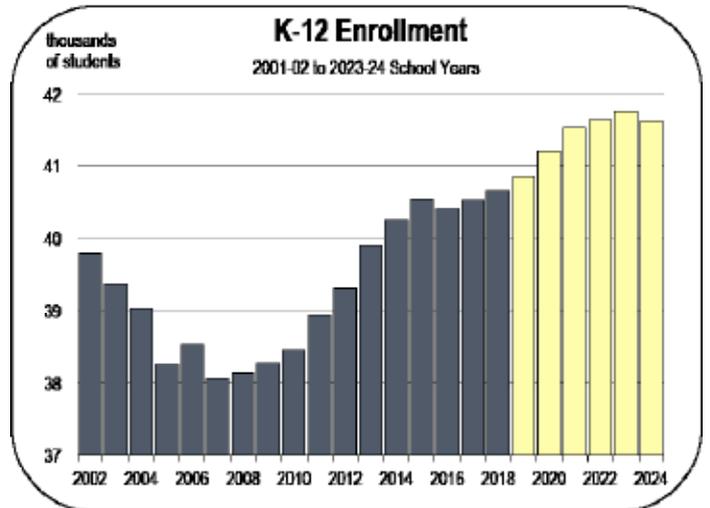
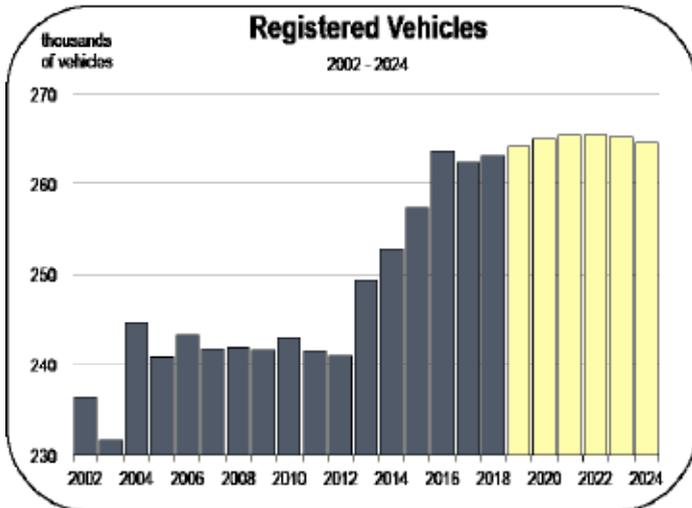
- New vehicle registrations will only increase by 0.1 percent per year over the entire 2018—2024 forecast period, which is much slower than expected population growth (0.5 percent per year).

## Registered Vehicles

- There were 263,200 registered vehicles in Santa Cruz County during 2018.
- By 2024, it is expected that the county will have approximately 264,600 registered vehicles.

## Public School Enrollment

- In San Joaquin County, approximately 40,700 students were enrolled in K-12 public schools during the 2017—2018 school year.
- By 2024, there are expected to be 41,600 K-12 students in the county.



# Santa Cruz County Economic Forecast

## Economic Indicators

## 2015-2018 History, 2019-2050 Forecast

	Population (people)	House- holds (thousands)	Average Household Income (dollars)	New Homes Permitted (homes)	Registered Vehicles (thousands)	Personal Income (billions)	Taxable Retail Sales (billions)	Local Sales Tax (millions)	Real Industrial Production (billions)	Real per Capita Income (dollars)	School Enrollment (thousands)	Births (people)	Deaths (people)
2015	274,691	97.0	\$168,882	164	257	\$16.4	\$2.6	\$66	\$2.3	\$64,875	40.5	2,840	1,768
2016	275,790	97.0	\$172,487	318	264	\$16.7	\$2.7	\$66	\$2.2	\$64,793	40.4	2,799	1,744
2017	275,859	97.3	\$180,947	322	262	\$17.6	\$2.8	\$69	\$2.0	\$66,302	40.5	2,658	1,811
2018	275,221	96.9	\$191,235	294	263	\$18.5	\$2.9	\$72	\$2.1	\$67,302	40.7	2,603	1,830
2019	276,300	97.2	\$200,583	369	264	\$19.5	\$3.0	\$74	\$2.2	\$68,646	40.9	2,615	1,829
2020	277,799	97.5	\$209,904	475	265	\$20.5	\$3.1	\$76	\$2.2	\$69,837	41.2	2,627	1,843
2021	279,547	98.0	\$218,759	521	265	\$21.4	\$3.1	\$78	\$2.2	\$70,691	41.5	2,631	1,859
2022	281,241	98.5	\$227,693	452	265	\$22.4	\$3.2	\$81	\$2.3	\$71,521	41.6	2,628	1,884
2023	282,690	98.9	\$236,687	404	265	\$23.4	\$3.3	\$83	\$2.3	\$72,330	41.7	2,625	1,910
2024	283,951	99.4	\$245,776	390	265	\$24.4	\$3.4	\$85	\$2.3	\$73,209	41.6	2,617	1,935
2025	285,017	99.7	\$253,911	372	264	\$25.3	\$3.5	\$88	\$2.4	\$73,849	41.3	2,598	1,962
2026	285,913	100.1	\$262,833	380	263	\$26.3	\$3.6	\$90	\$2.4	\$74,724	40.9	2,582	1,987
2027	286,775	100.5	\$272,617	393	262	\$27.4	\$3.7	\$92	\$2.5	\$75,845	40.6	2,566	2,015
2028	287,541	100.9	\$282,444	373	262	\$28.5	\$3.8	\$94	\$2.5	\$76,897	40.3	2,552	2,044
2029	288,254	101.2	\$291,451	414	261	\$29.5	\$3.9	\$96	\$2.6	\$77,581	40.0	2,541	2,074
2030	288,856	101.7	\$300,133	393	261	\$30.5	\$3.9	\$99	\$2.6	\$78,248	39.7	2,521	2,108
2031	289,388	102.0	\$308,835	366	261	\$31.5	\$4.0	\$101	\$2.6	\$78,937	39.5	2,505	2,140
2032	289,805	102.4	\$317,213	325	261	\$32.5	\$4.1	\$104	\$2.6	\$79,345	39.4	2,480	2,173
2033	290,195	102.7	\$326,140	306	261	\$33.5	\$4.2	\$106	\$2.7	\$80,118	39.1	2,449	2,205
2034	290,593	103.0	\$335,615	290	261	\$34.6	\$4.3	\$108	\$2.7	\$80,799	38.9	2,428	2,237
2035	291,023	103.3	\$345,575	285	262	\$35.7	\$4.4	\$111	\$2.7	\$81,431	38.8	2,427	2,271
2036	291,408	103.6	\$355,810	274	262	\$36.9	\$4.6	\$114	\$2.8	\$81,761	38.9	2,396	2,302
2037	291,721	103.9	\$366,425	262	262	\$38.1	\$4.7	\$117	\$2.8	\$82,039	39.0	2,349	2,331
2038	291,953	104.1	\$377,235	243	263	\$39.3	\$4.8	\$120	\$2.8	\$82,464	39.1	2,344	2,358
2039	292,146	104.4	\$388,523	229	263	\$40.6	\$5.0	\$124	\$2.8	\$82,763	39.3	2,348	2,385
2040	292,264	104.6	\$399,914	210	264	\$41.8	\$5.1	\$127	\$2.8	\$83,101	39.5	2,353	2,409
2041	292,359	104.8	\$411,448	196	264	\$43.1	\$5.2	\$131	\$2.8	\$83,557	39.7	2,363	2,426
2042	292,448	105.0	\$423,170	184	265	\$44.4	\$5.4	\$134	\$2.9	\$84,056	39.8	2,378	2,443
2043	292,487	105.2	\$435,060	191	266	\$45.8	\$5.5	\$137	\$2.9	\$84,611	39.9	2,394	2,459
2044	292,462	105.4	\$446,833	171	267	\$47.1	\$5.6	\$140	\$2.9	\$85,272	40.2	2,414	2,477
2045	292,416	105.6	\$459,009	158	268	\$48.5	\$5.7	\$144	\$2.9	\$85,780	40.4	2,435	2,498
2046	292,416	105.7	\$471,313	152	269	\$49.8	\$5.9	\$147	\$2.9	\$86,311	40.6	2,455	2,515
2047	292,437	105.9	\$483,763	143	269	\$51.2	\$6.0	\$150	\$3.0	\$86,802	40.8	2,474	2,527
2048	292,469	106.0	\$496,550	132	270	\$52.6	\$6.1	\$154	\$3.0	\$87,287	41.1	2,492	2,536
2049	292,507	106.2	\$509,714	122	271	\$54.1	\$6.3	\$157	\$3.0	\$87,770	41.2	2,505	2,543
2050	292,551	106.3	\$523,255	111	271	\$55.6	\$6.4	\$161	\$3.0	\$88,248	41.4	2,519	2,552

## Employment Sectors

## 2015-2018 History, 2019-2050 Forecast

	Total Wage and Salary	Farm	Construction	Manufac- turing	Transportation and Utilities	Wholesale and Retail Trade (thousands of jobs)	Financial Activities	Professional Services	Information	Health and Education	Leisure	Government
2015	106.7	8.3	3.7	6.8	1.5	15.5	3.5	9.7	0.8	17.3	13.6	21.4
2016	108.9	8.4	4.4	7.1	1.5	15.8	3.6	9.8	0.8	17.3	13.9	21.7
2017	110.3	8.1	4.5	7.1	1.6	15.6	3.6	10.1	0.8	17.9	14.2	21.9
2018	110.8	8.0	4.4	7.4	1.6	15.4	3.6	10.2	0.7	17.8	14.5	22.2
2019	112.0	8.0	4.5	7.4	1.6	15.4	3.6	10.3	0.7	18.0	14.8	22.5
2020	112.7	8.0	4.6	7.4	1.6	15.4	3.6	10.4	0.6	18.1	15.0	22.7
2021	113.1	8.0	4.6	7.3	1.6	15.4	3.6	10.4	0.6	18.2	15.1	22.8
2022	113.3	8.0	4.5	7.3	1.6	15.4	3.6	10.4	0.6	18.4	15.2	22.9
2023	113.5	8.0	4.5	7.3	1.6	15.4	3.6	10.4	0.6	18.5	15.2	22.9
2024	113.8	8.0	4.4	7.3	1.6	15.5	3.6	10.5	0.6	18.7	15.2	23.0
2025	114.1	8.0	4.4	7.4	1.6	15.5	3.6	10.5	0.6	18.8	15.3	22.9
2026	114.6	8.0	4.4	7.4	1.6	15.5	3.6	10.5	0.6	18.9	15.4	23.1
2027	115.0	8.0	4.4	7.5	1.6	15.5	3.6	10.5	0.6	19.1	15.4	23.1
2028	115.4	8.0	4.4	7.6	1.6	15.5	3.6	10.5	0.6	19.3	15.5	23.2
2029	115.8	8.0	4.4	7.6	1.6	15.6	3.6	10.5	0.6	19.4	15.6	23.2
2030	116.1	8.0	4.4	7.6	1.6	15.6	3.6	10.5	0.6	19.6	15.6	23.3
2031	116.4	8.0	4.4	7.6	1.6	15.6	3.6	10.5	0.6	19.7	15.7	23.4
2032	116.7	8.0	4.3	7.7	1.6	15.7	3.6	10.5	0.6	19.8	15.8	23.4
2033	117.0	8.0	4.3	7.7	1.6	15.7	3.6	10.5	0.6	19.9	15.8	23.5
2034	117.3	8.0	4.3	7.7	1.6	15.7	3.6	10.5	0.6	20.1	15.9	23.6
2035	117.6	8.0	4.3	7.7	1.6	15.7	3.6	10.5	0.6	20.2	15.9	23.7
2036	117.9	8.0	4.3	7.7	1.6	15.7	3.6	10.5	0.6	20.3	16.0	23.8
2037	118.2	7.9	4.3	7.8	1.6	15.8	3.6	10.5	0.6	20.4	16.1	23.8
2038	118.4	7.9	4.3	7.8	1.6	15.8	3.6	10.5	0.6	20.6	16.1	23.8
2039	118.7	7.9	4.3	7.8	1.6	15.8	3.6	10.5	0.6	20.7	16.2	23.9
2040	119.0	7.9	4.3	7.8	1.6	15.8	3.6	10.5	0.6	20.8	16.2	23.9
2041	119.3	7.9	4.2	7.9	1.6	15.9	3.6	10.5	0.6	20.9	16.3	24.0
2042	119.5	7.8	4.2	7.9	1.6	15.9	3.6	10.5	0.6	21.1	16.3	24.0
2043	119.9	7.8	4.3	7.9	1.6	15.9	3.6	10.5	0.6	21.2	16.4	24.1
2044	120.2	7.8	4.2	7.9	1.6	15.9	3.6	10.5	0.6	21.3	16.5	24.2
2045	120.5	7.8	4.2	7.9	1.6	16.0	3.6	10.5	0.6	21.5	16.5	24.3
2046	120.8	7.7	4.2	8.0	1.6	16.0	3.6	10.5	0.6	21.6	16.6	24.4
2047	121.1	7.7	4.2	8.0	1.6	16.0	3.6	10.5	0.6	21.7	16.6	24.5
2048	121.4	7.7	4.2	8.0	1.6	16.0	3.6	10.5	0.6	21.9	16.7	24.6
2049	121.7	7.6	4.2	8.0	1.6	16.0	3.6	10.5	0.6	22.0	16.7	24.7
2050	122.1	7.6	4.2	8.1	1.6	16.1	3.6	10.5	0.6	22.2	16.8	24.7

# Santa Cruz County Economic Forecast

## Socioeconomic Indicators

